

PUBLIC DISCLOSURE

May 5, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of American Fork
Certificate Number 12773**

**33 East Main Street
American Fork, Utah 84003**

**Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Bank of American Fork** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **May 5, 2008**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

Examiners evaluated the bank's CRA performance using the Intermediate Small Bank Procedures, which became effective on September 1, 2005. An intermediate small bank is defined as an institution that had assets of at least \$265 million and less than \$1.061 billion as of December 31st of either of the prior two calendar years.

This evaluation relied upon records and reports provided by the bank, publicly available loan and financial information, demographic data, and information gathered as part of the evaluation process, including information obtained from community contacts. A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the previous evaluation.

Specialized terms used in this evaluation are defined in Appendix B.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area. This rating is supported by the following:

The Lending Test is rated: Satisfactory.

- The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of the bank's loans are made inside the assessment area.
- The borrower profile analysis reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, given assessment area demographics and Dun & Bradstreet (D&B) business data.
- The geographic distribution analysis reflects a reasonable dispersion of loans throughout the assessment area. No unexplained lending gaps were identified.

The Community Development Test is rated: Outstanding.

- Community development performance demonstrates excellent responsiveness to the community credit needs.
- Community development loans demonstrate excellent responsiveness to the credit needs of the assessment area and represents five percent of the bank's total assets.
- Community development investments and donations demonstrate reasonable responsiveness to the credit needs of the assessment area. Qualified investments total \$9.6 million and qualified donations total \$112,000 since the prior CRA evaluation in 2005.
- Community development services demonstrate excellent responsiveness to the credit needs of the assessment area. Employees, senior management, and members of the Board of Directors have volunteered over 6,000 hours in qualified community development activities on behalf of the bank utilizing their financial expertise.

In addition, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

SCOPE OF EVALUATION

This evaluation utilizes the Intermediate Small Institution Examination Procedures for the time period since the previous evaluation, which was conducted April 5, 2005, through the current evaluation being conducted as of May 5, 2008. Examiners evaluated Bank of American Fork's (BAF) CRA performance in the context of the following:

- The current economic environment,
- Demographic characteristics of its assessment area,
- Lending opportunities within its assessment area,
- Institution financial resources and constraints,
- Institution product offerings and business strategy,
- Information derived from community contacts, and
- Performance of similarly situated institutions, if any.

To assess the institution's performance with respect to the lending test, the following five performance criteria are analyzed: the bank's quarterly average net loan-to-deposit ratio; the level of lending within its assessment area; the distribution of lending to businesses of different sizes (borrower profile); the geographic distribution of loans; and the response to any consumer complaints regarding its CRA performance. Of these criteria, geographic distribution and borrower profile performance are more heavily weighted than loan-to-deposit ratio and lending in the assessment area. The bank has not received any consumer complaints regarding its CRA performance.

The lending test focused on the bank's small business loans (commercial real estate and commercial/industrial loans originated in amounts of \$1 million or less) and home purchase loans, as these represent significant lending activities.

Examiners based the analysis of small business lending on a representative sample of loans. In accordance with the FDIC's CRA sampling guidelines, examiners used a one year period for loan distribution sampling of the non-reportable small business loans. As such, the review period for the small business loan analysis is January 1, 2007 through December 31, 2007. A sample of 55 loans totaling \$4.8 million was randomly selected from the universe of small business loans originated during this review period. These loans were identified through a review of an electronic download of the bank's collected small business loan data for 2007. The loan sample was used to analyze the level of lending, the borrower distribution, and the geographic distribution of loans within the bank's assessment area. The loans were reviewed for location and gross annual revenues of the borrowing business entities.

D&B data, as of June 30, 2007, is shown for comparative purposes in the analyses of the borrowers' profile and geographic distribution of loans for the number of businesses located in the bank's assessment areas. The D&B data is based on the geographic location, using 2000 U.S. Census boundaries, for the total number businesses within the assessment area and the reported gross sales of those businesses.

Examiners analyzed the bank's reported Home Mortgage Disclosure Act (HMDA) data for 2006 and 2007 in order to evaluate the bank's residential mortgage lending performance. The analysis of this performance focused on the bank's reported home purchase loans because these loans comprise the largest portion of the bank's residential mortgage lending. 2000 U.S. Census data for the number of families and owner-occupied housing units in the bank's assessment areas is shown for comparative purposes in the analyses of the borrowers' profile and geographic distribution of loans. This data is based on the income levels of families and the geographic location, using 2000 U.S. Census boundaries, for the total number of owner-occupied housing units within the assessment area.

Note: The home purchase loan analyses presented in the borrower profile and geographic distribution analyses reflect the number of loans originated by the institution. Analysis of dollar volume of loans did not result in different conclusions. The number of loans is considered more indicative than the dollar volume of the institution's willingness to lend, because it represents the number of customers assisted, whereas dollar volume does not. The analyses by number of loans in both the small business and home purchase loan analyses carries more weight in this evaluation.

Construction and land development loans, which comprise 42 percent of BAF's loan portfolio, were not reviewed because this loan category is not a focus of CRA evaluations. BAF's construction and land development loans are made to residential and commercial real estate developers, real estate investors, and consumers. Consumer loans and small farm loans were not reviewed because of the limited number and dollar volume of lending in these loan types. BAF originated only one agricultural or farm-secured loan during the review period.

To evaluate the bank's community development performance, all investments, loans, and services for the review period of April 4, 2005, through December 31, 2007, which met the CRA regulation's definition of community development purpose, were reviewed and included in this evaluation.

DESCRIPTION OF INSTITUTION

BAF is headquartered in American Fork, Utah, and is a wholly-owned subsidiary of People's Utah Bancorp, a one-bank holding company. BAF is a full-service commercial bank that focuses on serving the deposit and credit needs of small- to medium-sized businesses. The bank also originates home mortgage loans to serve the housing needs of its assessment areas. The bank does not portfolio its mortgage loans. BAF sells its long-term home mortgage loans in the secondary market and generates fee income by maintaining the servicing rights on these loans.

BAF operates 11 retail banking offices in Utah County (7) and Salt Lake County (4). BAF offers automated teller machine (ATM) and drive-up services at all of its branches. The bank opened one office since the last CRA evaluation of April 4, 2005. The office is located in Salt Lake County in the City of Riverton. BAF has not closed any branch locations since the previous evaluation.

The bank's December 31, 2007, Consolidated Report of Condition and Income reflects total assets of \$877,001,000, of which \$724,385,000 or approximately 83 percent were comprised of net loans and leases. Securities and federal funds sold totaled \$107,524,000 or represented approximately 12 percent of total assets. The bank's net loan-to-deposit ratio was 102.79 percent.

BAF offers a variety of loan and deposit products to its business and consumer customers. Loan products include commercial real estate, Small Business Administration (SBA), inventory financing, accounts receivable, commercial construction, equipment and material, equipment leases, auto, boat, recreational vehicle, personal home equity, home construction, and mortgage loans.

The composition of the bank's loan portfolio, as of December 31, 2007, is shown in Table 1.

Table 1 Composition of Loan Portfolio as of 12/31/2007		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	305,868	42
Secured by Farmland	3,790	1
1-4 Family Residential:		
Revolving Open-End	46,759	7
Closed-end First Lien	19,982	3
Closed-end Second Lien	1,090	0
Multi-Family (5 or more) Residential	8,285	1
Commercial Real Estate	226,166	31
Total Real Estate Loans	611,940	85
Commercial/Industrial	98,208	14
Agricultural	2,094	0
Consumer:		
Credit Cards	2,570	0
Other Revolving Credit	1,569	0
Other Consumer	8,733	1
All Other	840	0
Less: Unearned Income	(1,569)	0
Total Loans	724,385	100

Source: 12/31/2007 Report of Condition

According to senior management, BAF's primary business focus is commercial lending to small- and medium-sized businesses located within its assessment area. As shown in Table 1, commercial loans (commercial real estate and commercial/industrial loans) comprise the largest portion (45 percent) of the bank's loan portfolio. As such, the bank's small business lending receives greater weight in the evaluation of the bank's CRA performance in this report. Residential loans (1 to 4 family and multifamily residential) comprise approximately 10 percent of total loans. This lending volume is not reflective of the bank's actual volume of such lending, because the bank sells a large portion of its residential real estate loans to investors in the secondary market and these loans are not reflected in the table. The bank also works to provide home mortgage loans to serve individuals that reside within Utah and Salt Lake Counties because of the need for housing in the bank's assessment areas. Home mortgage loans are also included in this review of the bank's CRA performance. Construction and land development loans comprise 42 percent of total loans. These loans are made to residential and commercial real estate developers, real estate investors, and consumers; and are not a focus of CRA evaluations. Farmland and agricultural loans comprise only 1 percent of total loans.

The bank's ability to meet the credit needs of the communities it serves is not limited by its financial condition, size, or other legal impediments. A review of FDIC records, as well as the bank's CRA public file, did not reveal any complaints relating to the institution's CRA performance since the prior evaluation. BAF received a "Satisfactory" rating at the April 4, 2005, evaluation of the bank's CRA performance.

DESCRIPTION OF ASSESSMENT AREA

BAF has designated Utah and Salt Lake Counties as its assessment area. These two counties comprise portions of two different Metropolitan Statistical Areas (MSAs): the Provo-Orem, Utah MSA #39340 and the Salt Lake City, Utah MSA #41620. Utah and Salt Lake Counties are contiguous and have similar economies. As such, these counties are combined as one assessment area for CRA evaluation purposes. This assessment area meets regulatory requirements and does not arbitrarily exclude low- and moderate-income neighborhoods.

UTAH COUNTY

BAF operates its main office and six branch offices in Utah County. The county comprises the majority of the Provo-Orem MSA #39340, along with Juab County. This county is located in north central Utah, 44 miles south of Salt Lake City, at the foot of the Wasatch Mountain range. The county covers approximately 1,998 square miles, and is the state's second largest populated county, behind Salt Lake County. It encompasses the cities of Provo and Orem and several smaller cities and residential communities including American Fork, Lehi, Pleasant Grove, Spanish Fork, Springville, Mapleton, Payson, and Saratoga Springs.

Currently, Utah County's major employers include Brigham Young University; the Alpine, Provo, and Nebo School Districts; Utah Valley Regional Medical Center; Novell; and Utah Valley State College.

BAF faces competition from 18 financial institutions in Utah County for deposit market share. The institutions account for 87 banking offices and \$3,311,999,000 in deposits. According to the "Summary of Deposits Market Share Report" dated June 30, 2007, BAF ranks 3rd in Utah County and holds 16 percent of total deposits in the county. BAF is behind Zions First National Bank, which holds 25 percent of total deposits in Utah County and Wells Fargo Bank Northwest, National Association, which holds 24 percent of the area's total deposits.

SALT LAKE COUNTY

BAF operates four branch offices in Salt Lake County. This county is part of the Salt Lake City

MSA #41620, which also includes Summit and Tooele Counties. Salt Lake County is the center of government activities, financial services, and is the center of the state's transportation infrastructure. Salt Lake County covers approximately 737 miles and is the most-densely populated county within the state. It encompasses Salt Lake City (the state's capitol) and several smaller cities and residential communities including Murray, Draper, Sandy, South Jordan, West Jordan, Magna, and West Valley.

Top employers in Salt Lake County include health care, education, government, and airline industries. The county is also home to most of the major insured financial institutions in the state, including regional banks, credit unions, and industrial banks.

BAF faces competition from 60 financial institutions in Salt Lake County for deposit market share. The institutions account for 261 banking offices and approximately \$156,251,476,000 in deposits. According to the "Summary of Deposits Market Share Report" dated June 30, 2007, BAF was ranked 39th with a market share of 0.06 percent of the market's deposits.

Demographic Information for the Utah and Salt Lake County Assessment Area

Utah and Salt Lake Counties contain 278 census tracts. Selected population and business demographics are detailed in Table 2 below.

Table 2 Demographics of Utah and Salt Lake Counties, UT						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	278	4.32	19.78	46.40	28.42	1.08
Population by Geography	1,266,923	3.24	21.04	48.38	27.29	0.04
Owner-Occupied Housing by Geography	270,490	0.51	15.89	52.19	31.40	0.00
Business by Geography	126,688	7.01	20.12	42.72	30.15	0.01
Farms by Geography	2,133	3.09	13.69	49.32	33.90	0.00
Family Distribution by Income Level	297,539	17.19	19.78	24.74	38.29	0.00
Distribution of Low and Moderate Income Families throughout Assessment Area geographies	109,995	4.92	32.71	48.58	13.78	0.00
Median Family Income HUD Adjusted Median Family Income for 2007 Households Below Poverty Level		53,223 58,610 8%	Median Housing Value Unemployment Rate (2000 US Census)	162,790 2.33%		

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census and 2007 HUD updated MFI

According to information obtained from D&B data, 126,688 businesses are located in Utah and Salt Lake Counties. Approximately, 64 percent of these businesses reported gross annual revenues of \$1 million or less.

Economic Information

According to state government information, growth in Utah has slowed dramatically in recent months, as the downturn in residential construction works its way through the state economy. Growth in the state remains above the national average, due to continued job growth particularly in the sectors of retail trade, education/health, and government. Weaker growth rates have led to a slight increase in the unemployment rate, but still remains far below the national average where Utah ranks second lowest in the nation.

Utah continues to report one of the highest personal bankruptcy rates in the nation. Declines in employment, larger family sizes, and higher debt levels have been attributed as possible reasons for this phenomenon. The housing market has also slowed, but is one of the nation's strongest with price appreciation softening, yet still increasing in all metropolitan areas except St. George, which declined slightly.

Salt Lake City MSA also recorded significant improvement in job growth in 2007. The professional and business services sector led Salt Lake City's growth with the addition of 7,182 new jobs, followed closely by the construction sector, which added 6,286 jobs. The trade transportation and utilities, round off the top 3 sectors with the addition of 3,711 new jobs.

The finance industry in Salt Lake County is vulnerable in the near term due to a housing downturn, which is slowing loan demand and deteriorating credit quality. Over the long term, strong population growth, a young and well-educated workforce and below-average business costs will help drive economic growth in Salt Lake County.

Community Credit Needs

In conjunction with this evaluation, examiners conducted community contacts with a representative of a housing authority and small business development organization in Utah County and a housing authority representative in Salt Lake County. The contacts perceive financing for affordable housing and small businesses as a primary credit needs. One contact also expressed a need for financial education for new homeowners and education to residents of the community on how to avoid predatory lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST: The institution is rated **Satisfactory** for this test.

BAF has a satisfactory lending performance based upon review of the HMDA lending for 2006 and 2007, and the small business lending sample for January 1, 2007, to December 31, 2007. The following sections provide a detailed synopsis of the bank's lending performance.

Borrower Profile

The distribution of borrowers reflects a reasonable penetration among businesses of different sizes and individuals of different income levels. Bank loan data reflects a reasonable level of small business loans made to businesses with revenues of \$1 million or less, small dollar business loans, and home mortgage loans to low- and moderate-income borrowers.

Small Business Loans

BAF's volume of small business loans to businesses with gross annual revenues of \$1 million or less illustrates a reasonable record of lending to small businesses when comparing the bank's lending performance to D & B data for the bank's assessment area. Table 3 below provides the distribution of the bank's small business loans, by number and dollar volume of loans, among businesses with differing revenues, as represented by a randomly selected sample of these loans.

Table 3 Borrower Distribution of Small Business Loans in Utah and Salt Lake Counties, UT						
Revenue Size (000s)	Bank Loans*				Businesses**	
	#	%	\$ (000s)	%	#	%
≤ \$1,000	18	35	2,430	56	80,743	64
> \$1,000	32	61	1,703	40	5,752	4
Not Reported	2	4	172	4	40,193	32
Total	52	100	4,305	100	126,688	100

Sources: *Sample of small business loans originated between January 1, 2007 and December 31, 2007;

**D&B Business Data, June 30, 2007.

As illustrated in Table 3, BAF's performance to businesses earning \$1 million or less in gross annual revenues by number volume (35 percent) is less than the percent of businesses reported by D & B data as having gross annual incomes of \$1 million or less (64 percent), whereas, by dollar volume (56 percent), it is more similar to the comparative business data. This performance is explained by the number of very small loans represented in the sample that were made under much larger warehouse lines of credit to two large distributors with gross annual revenues of more than \$1 million.

In addition to the analysis by revenue size, small business loans are also analyzed by loan size to evaluate the size of the businesses being served. Loan size is a proxy for the revenue size of businesses with revenues \$1 million or less. However, this factor is given much less weight in the overall borrower profile analysis than the gross annual revenue analysis as discussed previously. Table 4 reflects the number and dollar distribution by loan size of the 2007 small business loan sample. This table does not include comparative small business aggregate lending data because this data has not been compiled for 2007. D & B data does not provide any such comparative business size data.

Table 4 Loan Size Distribution of Small Business Loans in Utah and Salt Lake Counties, UT						
Revenue Size (000s)	Bank Loans*				Businesses**	
	#	%	\$ (000s)	%	#	%
< \$100	39	75	1,104	26	Data Not Available	
\$100 - \$250	9	17	1,408	33		
\$250 - \$1000	4	8	1,793	41		
Total	52	100	4,305	100		

Sources: *Sample of small business loans originated between January 1, 2007 and December 31, 2007;

**D&B Business Data, June 30, 2007.

BAF's distribution of small business loans by loan size, depicted in the table above, reveals a large percentage (75 percent) by number volume of loans in amounts of \$100,000 or less. This number distribution is skewed by the large number of very small loans represented in the sample that were made under much larger warehouse lines of credit to two large distributors.

Home Purchase Loans

BAF'S distribution of home purchase loans reflects a reasonable penetration among individuals of different income levels. Table 5 provides the distribution of the bank's home purchase loans, by number of loans, among borrowers of different income levels for 2006 and 2007. The income distribution of the total number of families in the assessment area is also shown for comparison purposes.

Table 5 Borrower Distribution of Home Purchase Loans in Utah and Salt Lake Counties, Utah

Borrower Income Level	Bank Loans 2006*		Bank Loans 2007*		Families**	
	#	%	#	%	#	%
Low	4	6	5	5	51,138	17
Moderate	34	47	28	27	58,857	20
Middle	19	26	37	36	73,610	25
Upper	12	17	31	30	113,934	38
NA	3	4	2	2	0	0
Total	72	100	103	100	297,539	100

Sources: *Bank's reported HMDA data; **2000 Census Data.

As shown in the table above, BAF's percentage distribution of lending to low-income borrowers in both 2006 and 2007 is less than the percentage of families within that income level in the assessment area (17 percent). This is explained by the percentage of households in the assessment area that have incomes below the poverty level (8 percent) and other low-income families for whom home ownership is not affordable and who may not qualify for home purchase loans. In contrast, BAF's percentage distribution of lending to moderate-income borrowers in 2006 (47 percent) significantly exceeds the percentage of families within that income level in the assessment area (20 percent). As a result of the tightening lending market, BAF's level of lending to these borrowers decreases (to 27 percent) in 2007, but still exceeds the comparative data.

Geographic Distribution

BAF's overall geographic distribution of loans reflects a reasonable dispersion of loans throughout the assessment area. Small business loan data reflects a reasonable dispersion in moderate-income tracts; and home mortgage data shows an increase in lending in both low- and moderate-income tracts in 2007. No unexplained lending gaps were identified.

Small Business Loans

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area. Table 6 provides the geographic distribution of the bank's small business loan sample, by the number and dollar volume of loans, originated within the assessment area for 2007. The geographic distribution of the total number of businesses in the assessment area is shown for comparison purposes.

Table 6 Geographic Distribution of Small Business Loans in Utah and Salt Lake Counties, UT

Tract Income Level	Bank Loans*				Businesses**	
	#	%	\$ (000s)	%	#	%
Low	0	0	0	0	8,878	7
Moderate	8	15	1,288	30	25,484	20
Middle	32	62	1,790	42	54,115	43
Upper	12	23	1,227	28	38,199	30
NA	0	0	0	0	12	0
Total	52	100	4,305	100	126,688	100

Sources: *Sample of small business loans originated between January 1, 2007 and December 31, 2007;

**D&B Business Data, June 30, 2007.

As illustrated above, the sample of BAF's small business loans contains no loans in low-income census tracts, while D&B data shows that 7 percent of the 126,688 businesses within the assessment area reported locations within these census tracts. This dispersion is primarily attributed to the location of all of the bank's offices in middle- and upper-income geographies, relatively distant from low-income census tracts. However, the bank's performance in moderate-income census tracts by number volume (15 percent) is only somewhat lower than the percentage of businesses reporting locations in these tracts (20 percent). By dollar volume, the bank's performance in moderate-income census tracts (30 percent) exceeds the comparative business data.

Home Purchase Loans

The geographic distribution of home mortgage loans also reflects a reasonable dispersion throughout the assessment area. Table 7 provides the geographic distribution of the bank's home mortgage loans, by number of loans, originated within the assessment area for 2006 and 2007. The geographic distribution of the total number of owner-occupied housing units in the assessment area and the 2006 aggregate lending distribution are also shown for comparison purposes.

Table 7 Geographic Distribution of Home Purchase Loans in Utah and Salt Lake Counties, UT

Tract Income Level	Bank Loans 2006*		Bank Loans 2007*		Owner-Occupied Units**
	#	%	#	%	% of #
Low	1	1	9	9	1
Moderate	8	11	4	4	16
Middle	46	64	72	70	52
Upper	17	24	18	17	31
Total	72	100	103	100	100

Sources: *Bank's reported HMDA data; **2000 Census Data (total owner-occupied units = 270,490).

As illustrated above, BAF's level of home purchase loans in low-income census tracts for 2006 (1 percent) mirrors the percentage of owner-occupied housing units that are located within these census tracts (1 percent). The level of bank loans in moderate-income census tracts for 2006 was 11 percent, which is less than the percentage of owner-occupied housing units that are located within these census tracts (16 percent). While the bank's performance in moderate-income census tracts decreased to 4 percent in 2007, its performance in low-income census tracts increased to 9 percent. The majority of BAF's home purchase loans for both 2006 and 2007 were originated in middle-income census tracts. This also correlates to where the majority of the assessment area's owner-occupied housing units and the bank's branches are located.

Loan-To-Deposit Ratio

BAF's average net loan-to-deposit (ANLTD) ratio is more than reasonable. The bank's ANLTD ratio, based on an average of the 11 quarters ending since the last evaluation in April 2005, is 98 percent. This ratio measures the extent to which the institution utilizes its deposit resources to extend credit and reveals a strong level of commitment to lending.

Examiners identified two similarly-situated institutions, in terms of asset size and located within the institution's assessment area. These institutions reported ANLTD ratios of 86 and 78 percent and had assets of \$598 million and \$697 million, respectively. BAF's ANLTD exceeds the ANLTDs of both of these institutions.

Assessment Area Concentration

A substantial majority of BAF's small business and home purchase loans are in the bank's assessment area. Table 8 shows the number and dollar volume distribution of the bank's small business and total home mortgage loans inside and outside its assessment area. Specifically, the table illustrates that 94 percent by number and 92 percent by dollar volume of the bank's loans were located in the bank's designated assessment area. Comparison of 2006 performance to 2007 performance reveals similar percentages by both number and dollar volume of home mortgage loans located in the bank's assessment area.

Table 8 Distribution of Loans Inside and Outside of the Assessment Areas										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage*										
2006	114	94	7	6	121	10,804	92	956	8	11,760
2007	212	95	11	5	223	30,293	95	1,742	5	32,035
Subtotal	326	94	18	6	344	41,097	94	2,698	6	43,795
Small Business**										
2007	52	95	3	5	55	4,305,114	90	472,095	10	4,777,209
Total	378	94	21	6	399	4,309,221	92	474,793	8	4,821,004

Source: *Bank's reported HMDA data (2006 and 2007); **Sample of small business loans originated between January 1, 2007 and December 31, 2007;

Flexible Lending Products

To assist small businesses in starting, expanding, and modernizing, BAF offers flexible loan products through the SBA. Since the 2005 CRA evaluation, the bank has originated 56 SBA 7a loans totaling \$15.5 million and 17 SBA 504 loans totaling \$20.4 million.

Response to Complaints

BAF has not received any complaints relating to its CRA performance.

COMMUNITY DEVELOPMENT TEST: The institution is rated Outstanding for this test.

BAF's community development performance demonstrates excellent responsiveness to community development needs in the assessment area through community development loans, investments, and services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area. The community development activities reviewed during this evaluation assist in meeting the needs for affordable housing, small business financing, financial education, revitalization and stabilization of low- and moderate-income areas and designated redevelopment areas, and services to low- and moderate-income individuals and at risk youth.

Community Development Lending

BAF is a leader in making community development loans. Over the review period, BAF originated an excellent level of community development loans, more than doubling its dollar volume of community development lending. The bank extended 15 community development loans totaling \$44.7 million over the review period. This equates to 5.12 percent of the bank's total assets as of December 31, 2007.

The bank's assessment area offers a broad array of community development lending opportunities including:

- Affordable housing initiatives
- Small business development programs
- Community economic development projects focusing on the revitalization and stabilization of low- and moderate-income census tracts
- Services targeted to low- and moderate-income individuals and designed to benefit the infrastructure of low- and moderate-income areas

Most of BAF's community development loans respond to identified affordable housing needs and revitalization of low- and moderate-income and designated redevelopment areas within the bank's assessment area. As BAF has adequately addressed the community development needs of its assessment area, community development loans that benefit the statewide area including the assessment areas are also considered.

The following are descriptions of some of the most significant community development lending activities for the review period covering April 4, 2005, through December 31, 2007.

- As lead participant, BAF originated \$12.1 million for a loan to build a 120-unit, affordable condominium housing and work development in a low-income census tract of Salt Lake City. Three other financial institutions and the Salt Lake City Redevelopment Agency (RDA) participated in this project as part of the city's redevelopment plan. The RDA funded part of the construction of this project. The condominiums are located within the Central Business District Neighborhood Development Project Area, which is designated as a revitalization zone. The project includes live-work and 1 to 3 bedroom units, which will help to attract businesses and stabilize this low-income census tract. The units are being offered to low- and moderate-income individuals and families.
- As lead lender, BAF participated by contributing over \$2.2 million in a \$4.3 million loan to build 26 condominium units and 5 live-work units in a low-income census tract in Salt Lake City, Utah. This loan serves to revitalize, stabilize, and promote economic development in a low-income geography.
- BAF originated a \$3.5 million loan to finance the construction of a 60-unit affordable housing development in Logan, Utah. This loan is supported by Low-Income Housing Tax Credits.

Table 9 below summarizes the number and dollar volume of total community development loans.

Table 9 Total Community Development Loans on an annual basis						
Community Development Loans	2005		2006		2007	
	#	\$ (000)	#	\$ (000)	#	\$ (000)
Affordable housing for LMI individuals	1	540	2	4,909	6	27,500
Revitalize or stabilize LMI geography, designated disaster area, or distressed or underserved non-metropolitan middle-income geography	2	5,135			1	88
Low-income Housing Tax Credits			1	3,500	1	1,800
Rural housing authority	1	427				
Total	4	6,102	3	8,409	8	29,388

Source: Examiner prepared table

Community Development Services

BAF has provided an excellent level of community development services when considering the bank's capacity and the need and availability of such opportunities within the defined assessment area. Employees, senior management, and members of the Board of Directors have volunteered over 6,000 hours in qualified community development activities on behalf of the bank utilizing their financial expertise. Examples of the bank's community development service activities include the following activities where bank officers, directors, and staff provided their financial expertise:

- Several members of management serve on the Board and committees of various organizations that work to meet the affordable housing needs of the assessment area and the State of Utah.
- Members of bank staff have volunteered numerous hours to assist local non-profit organizations to meet the needs of at risk youth and to assist low-income and homeless in receiving needed assistance in fulfilling daily needs.
- A member of management has served as chairman, loan committee chairman, executive committee member, and program committee chairman of a statewide micro enterprise loan fund. The mission of this certified community development financial institution (CDFI) is to provide financing and management support to Utah entrepreneurs in start-up and existing firms that do not have access to traditional sources of capital and/or financing.
- A member of the Board of Directors is a committee member of a downtown redevelopment corporation and an economic development agency that serves to revitalize, stabilize, and promote economic development of redevelopment areas in the city of American Fork, Utah, in Utah County.

Table 10 summarizes the total community development services on an annual basis.

Table 10 Community Development Services on an annual basis						
Community Development Services	2005		2006		2007	
	# Bank Staff	HOURS	# Bank Staff	HOURS	# Bank Staff	HOURS
Providing financial services to low- and moderate-income individuals through branches and other facilities located in low- and moderate-income areas			1	5	1	3
Providing technical assistance on financial matters to nonprofit, tribal or government organizations servicing low- and moderate-income housing or economic revitalization and development needs	2	168	2	171	2	110
Providing technical assistance on financial matters to small businesses or community development organizations.	2	157	4	166	3	239
Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing	3	1,140	3	1,196	3	1,200
Providing credit counseling, home-buyer and home-maintenance counseling, financial planning or other financial services education	1	5	1	5		
Establishing school savings programs and developing or teaching financial education curricula for low- or moderate-income individuals					1	500
Technical Assistance activities include: <ul style="list-style-type: none"> • Serving on a loan review committee • Developing loan application and underwriting standards • Developing loan processing systems • Developing secondary market vehicles or programs • Assisting in marketing financial services, including development of advertising and promotions, • Furnishing financial services training for staff and management • Contributing accounting/bookkeeping services • Assisting in fund raising, including soliciting or arranging investments 	8	258	13	548	12	279
Total Qualified Service Hours	16	1,728	24	2,091	22	2,331

Qualified Investments

Community development investments and donations demonstrate reasonable responsiveness to the credit needs of the assessment area. Qualified investments total \$9.6 million and qualified donations total \$112,000 since the prior CRA evaluation in 2005.

In evaluating qualified investments, examiners consider ongoing qualified community development investments and new investments made by the bank since the prior CRA evaluation in 2005. The bank had 16 ongoing qualified investments with outstanding balances totaling \$4.6 million as of the date of the previous evaluation. The bank made 73 different qualified investments and donations totaling \$5.1 million over the current review period. Based on the bank's resources, business strategies, and the opportunities that are available in the assessment area for qualified investments, this performance is reasonable.

Table 11 below summarizes the number and dollar volume of total qualified investments and donations by type.

Table 11 Qualified Community Development Investments and Donations by Type 4/5/2005 to 5/5/2008		
Description	#	\$ (000s)
Mortgage Backed Securities	9	7,878
State and Municipal Obligations	8	1,668
Micro Enterprise Loan Fund	2	25
State Community Reinvestment Fund	1	8
Total Debt or Equity Investments	20	9,579
Qualified Grants and Donations	69	112
Total Qualified Investments, Grants and Donations	89	9,691

Source: Bank Records

The following are descriptions of BAF's qualified investments.

Table 12 Community Development Investments on an annual basis						
Community Development Investments	2005		2006		2007	
	#	\$ (000)	#	\$ (000)	#	\$ (000)
Financial intermediaries that primarily lend or facilitate lending in low- or moderate-income areas or to low- and moderate-income individuals in order to promote community development.	1	7				
Organizations that promote economic development by financing small businesses.	2	25				
State and municipal obligations that specifically support affordable housing or other community development			8	1,468		
Not-for-profit organizations serving low- and moderate-income housing or other community development needs.	1	500				
Mortgage backed securities to low- and moderate-income individuals	5	3,447	2	1,073	2	3,058
Total Qualified Investments	9	3,979	9	2,541	2	3,058
Qualified Donations	22	27	23	40	28	45
Total Community Development Investments	31	4,006	33	2,581	30	3,103

Source: Examiner prepared table

Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) Mortgage-Backed Securities

BAF maintains a \$2.9 million investment in 5 pools of mortgage-backed securities and has invested another \$4.9 million in 4 additional pools of mortgage-backed securities. The mortgages backing these securities are comprised of loans originated to low- and moderate-income borrowers residing in both Utah and Salt Lake Counties. Underwriting requirements for all of the FNMA and FHLMC pools purchased by BAF mandate that the principal amount of these securities be backed by loans made to low- and moderate-income borrowers.

County School District Bonds

BAF maintains seven investments totaling \$1.2 million in two different counties' school district bond issues. Both school districts are Title I schools having over 50 percent of students on the free or reduced-price lunch program, indicating they are low- or moderate- income. These school districts are outside the bank's assessment area, but within the State of Utah.

State Taxable Housing Agency Revenue Bonds

BAF maintains a \$500,000 investment in a state housing agency taxable revenue bond. The proceeds of the bonds were used for the acquisition, construction, and equipment for a multifamily affordable rental housing development in Salt Lake County. The project includes 155 residential rental units in a single four-story building. Sixty percent of the residential units (95 units) will be targeted as affordable housing under the federal low income housing tax credit program and will be rented to low- and moderate- income individuals.

Micro Enterprise Loan Fund

BAF maintains two investments totaling \$25 thousand in a state-wide micro enterprise loan fund. The loan fund was incorporated in 1991 as a multi-bank community development corporation. The mission of this certified CDFI is to provide financing and management support to Utah entrepreneurs in start-up and existing firms that do not have access to traditional sources of capital and/or financing. Through its loans and services, the CDFI helps micro entrepreneurs strengthen their businesses, stabilize their incomes, create additional employment, and contribute to the economic revitalization of their communities throughout the State of Utah.

Statewide Community Reinvestment Corporation

BAF maintains an investment totaling \$7,500 in a statewide community reinvestment corporation. This organization strives to assist the State of Utah's low- and moderate-income residents by fostering the development and preservation of quality housing. The corporation serves as a catalyst for community development by offering flexible financing for affordable housing, working with government agencies to maximize leverage of public and private dollars, and providing technical assistance to project sponsors.

Grants and Donations

BAF made grants and donations to various community organizations, which serve community development purposes. These organizations include affordable housing, small business/micro-enterprise development, and other community services that revitalize or stabilize low- and moderate-income communities and benefit low- and moderate-income individuals. Over the review period, BAF made a total of 69 grants and donations totaling \$112,000 to 27 organizations located within the assessment area.

Fair Lending or other Illegal Credit Practices

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are

component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX B - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank’s regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political

subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.